United Nations DP/CCF/SAU/2

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
13 November 2000

Original: English

First regular session 2001
29 January-6 February 2001, New York
Item 3 of the provisional agenda
Country cooperation frameworks and related matters

Second country cooperation framework for Saudi Arabia (2001-2005)

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Introduction

1. The second country cooperation framework (CCF) for Saudi Arabia covers the period 2001 to 2005, and coincides with the seventh national development plan, 2000-2005. The CCF was prepared by the Government and UNDP, taking into account the situation of the development process in the Kingdom, the lessons drawn from the previous cooperation programmes, and the opportunities to provide policy advice, strengthen capacity-building, and create partnerships for technical cooperation with UNDP.

2. In elaborating the CCF, relevant government organizations were consulted. A team of national consultants and UNDP staff members solicited the views of several ministries, the Council of Chambers of Commerce and Industry, universities, and key semi-independent entities. Their views were incorporated. A series of meetings between UNDP, the national consultants and the coordinating ministry (the Ministry of Foreign Affairs) was held to discuss and finalize the draft CCF document. The draft document of CCF was shared with the Economic and Social Council for Western Asia (ESCWA), the Food and Agriculture Organization of the United Nations (FAO), the Office of the United Nations High Commissioner for Refugees, the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), and the World Bank and their views were considered. The CCF outlines a sustainable development programme that is fully in line with: (a) the development priorities identified in the national plan; (b) the new orientation of UNDP to support developing countries to integrate into the global economy; and (c) the estimated resources that may become available during the CCF period.

I. Development situation from a sustainable human development perspective

3. The Kingdom of Saudi Arabia is an upper-middle income country with a gross domestic product (GDP) per capita of about $7,000. Population is estimated at 22 million, of which one fourth are non-Saudis. The dependency of the economy on oil has declined over the past two decades (the contribution of the oil sector to GDP declined from 65 per cent in the 1970s, to 44 per cent in the 1980s, and further to 37 per cent in the 1990s); nevertheless, oil revenue still accounts for about three quarters of total revenue in the government budget. The efforts to diversify the economy and the reduction in the price of oil during the last few years are contributing factors to this trend.

4. After four decades of wide participation of the public sector in the economy, a cautious reform process has been initiated. It includes gradual elimination of subsidies, privatization of some public enterprises, encouraging private investment, and joining the World Trade Organization (WTO). The reform process extended to the legal and institutional framework, enabling the enactment of an investment law permitting 100 per cent foreign ownership of Saudi companies, creating a general investment authority to support private investors and opening up the gas and petroleum sector to the private sector. The Kingdom is advancing the reform process and creating new institutions to match its new vision of managing the socio-economic development process for the enhancement of the livelihoods of its citizens.

5. These development strategies are mirrored in the seventh national development plan (2000-2005). The plan includes priorities such as: (a) privatization of selected public enterprises and improvement of the overall economic performance; (b) integration into the global economy through accession to WTO; (c) creation of job opportunities for young Saudis; (d) sustainable management of natural resources; and (e) sustainable human development and the enhancement of livelihoods. To achieve these objectives, the Government has identified essential actions to help to restructure the economy; review and modify existing policies, create a conducive environment to encourage national and foreign investment; build national capacities to implement the reform process, enhance a market-oriented human resources development system; and promote science and technology, including the advancement of the use of information technology.

6. The steady increase in demand for public services, such as health and education, and the similar increase for natural resources such as water is a major factor that should be taken into consideration in light of the prevailing population growth rate, which is estimated at 3.2 per cent per annum.

7. Despite the fact that the new investment policy, through which the Kingdom will rely on Saudi and non-Saudi investors to provide job opportunities for the new labour force, and based on available labour-market information, the estimated number of Saudis in the working-age brackets in the year 2000 is 4.8 million males and 4.7 million females. The corresponding overall participation rates in the actual labour force are 54.7 per cent males and 5.8 per cent females. Non-Saudis, on the other hand, represent two thirds of the total civilian labour force and their share exceeds 90 per cent in the private sector. This explains why Saudization of the labour force has become a major national concern that is strongly emphasized in the strategic objectives of the seventh national development plan. The Government is expecting that its current negotiation with international companies for major investments in the oil and gas industries should lead to the creation of about 1.8 million job opportunities.

8. The massive wealth generated by oil revenues during the past four decades resulted in impressive infrastructure, in the building of urbanization schemes and free or subsidized public services and utilities. Large-scale industrialization and agricultural projects were also financed. As a result of these developments, the Kingdom's human development index increased from 0.60 in 1975 to 0.74 in 1997. The challenge lying ahead is how to maintain the current standard of living.

9. To face this challenge, the Government is embarking on economic reform designed to manage resources more efficiently and broaden the concept of participation in economic and social development. Thus, implementing the new vision for development and building national capacities represent a challenge to the Government while reflecting the need to strengthen partnership with UNDP.

II. Results and lessons of past cooperation

10. While addressing the concerns of the sixth national development plan (1995-2000), the first CCF (1997-2000), focused on three major themes: (a) assistance in creating an enabling environment that encourages broad-based economic growth; (b) direct capacity-building for sustainable livelihoods; and (c) protection, management and regeneration of the environment. As reported in the 1999 results-oriented annual report (ROAR), the first CCF for Saudi Arabia made important contributions in creating an enabling environment for sustainable human development. Limited but strategic interventions were directed to building national capacities to promote an efficient public sector and strengthen public sector management, to conserving natural resources and to advancing the status of women. National authorities highly appreciate the technical support they have received through the United Nations system.

11. Under the first area, UNDP supported the Ministry of Commerce in its efforts to secure the Kingdom's accession to WTO and to the Ministry of Foreign Affairs to expand and update its Saudi Commercial Information System, which should lead to expanding the export capacity of the Kingdom. The Ministry of Foreign Affairs also drew upon UNDP support in a partnership to implement a programme of full automation and related administrative changes. Other assistance allowed the Ministry of Planning to examine comprehensively the economic options facing Saudi Arabia under the period covered by the seventh development plan and allowed the Ministry of Transportation to develop a national strategy for transport. Likewise, technical assistance in managing radio frequencies provided crucial skills in this rapidly expanding and changing field. UNDP activities also include technical support to the urban infrastructure by updating national spatial strategy and by completing structured plans of over 130 municipalities. These interventions fit under the strategic results framework (SRF) objective of promoting an efficient and accountable public sector.

12. Since the technical cooperation programme in the country is fully funded by the Government and owing to the financial constraints that faced the country in 1998 and 1999, no downstream activities pertaining to the second area, direct capacity-building for sustainable livelihood, were implemented. It was noted, however, that considerable project preparation and planning were suggested by UNDP. With GNP per capita of about $7,000, this type of intervention may not become an issue of high priority on the development agenda of the country in the near future. UNDP activities in this area were at the upstream level and were aimed at assisting the Government in formulating the socio-economic development plan for

promoting strategies focused on sustainable livelihoods.

13. In the third area of focus, protection, management and regeneration of the environment, advisory services were provided to the National Commission for Wildlife Conservation and Development. As stated in the 1999 ROAR, UNDP technical support enhanced national capacities to manage natural resources in a sustainable manner, utilizing the newly established and UNDP-supported conservation-training centre. The extensive training programme organized by the centre enhanced public awareness of the need for environmental conservation. Special attention has been given to promoting the role of women in environmental conservation through specialized training courses that the centre arranged. The centre also attracted non-Saudi trainees from neighbouring countries, hence contributing to the overall environmental conservation efforts in the region. Furthermore, promoting international and regional cooperation to enhance global and regional environment was a primary goal for the first CCF under the regional UNDP Global Environment Facility (GEF)-supported project that was launched in late 1990s to protect the marine environment of the Red Sea and the Gulf of Aden.

14. The mid-term review of the first CCF revealed a low visibility for UNDP in the country and little awareness of UNDP activities and potentialities. To address this issue, several proposals are lined up for implementation under the second CCF. They include the creation of a web site, e-mail connections with key partners, outreach programmes to universities and professional societies, strengthening partnerships with the media and private sector entities, an annual report by UNDP on its activities, and an annual report by the focal ministry on international cooperation within the country and on the Saudi Arabia's assistance to other countries. It is expected that implementing such a multidimensional outreach programme should improve the visibility of UNDP and make it known nationally. The programme will be assessed on a yearly basis and adjusted accordingly.

15. Within the framework of the CCF, UNDP operates with a project approach, which responds to the requirements of the Government. This demand-driven approach has been most useful in Saudi Arabia to date although there is room for more coordination among closely related projects. The Ministry of Foreign Affairs and UNDP envisage the establishment of an advisory mechanism to deal with strategic and planning issues and to ensure the maximization of technical and financial resources available through the country cooperation programme as well as the strategic linkages between interventions. The mid-term review exercise strongly endorses the plan of the Ministry of Foreign Affairs and UNDP to establish an overall advisory committee for UNDP/Saudi Arabia cooperation.

16. The mid-term review team also recommends that future projects focus on strategic activities such as strategic planning, enhancing enabling and regulatory environments, and developing pilot activities in new areas. This recommendation will be, to the extent possible, taken into account in the implementation of the second CCF.

III. Objectives, programme areas and expected results

17. The current government economic policy places emphasis on two broadly defined areas: (a) public sector reform and integration into the global economy and (b) national capacity-building for sustainable economic and social development. The first includes diversifying the economy and increasing efficiency in utilizing resources, developing the private sector and privatizing some public enterprises and providing support towards accession to WTO. The second involves enhancing the quality of education and health results, ensuring employment opportunities for the increasing number of Saudi labour force, sustainable use of natural resources, balanced development in the various regions of the country and building a national technology base. The seventh national development plan (2000-2005) incorporates certain instruments that are directly aimed at implementing these policies.

18. Therefore, the areas of focus of the second CCF as proposed by the Government and UNDP are: (a) globalization and public sector reform and (b) the building of national capacity for sustainable economic and social development. The second CCF will continue to be demand-driven, responding to national needs for technical cooperation, mostly through a project-approach modality while ensuring, when feasible, strategic linkages among projects. Exerted efforts will be made, however, to move UNDP into more upstream policy dialogue. A good example is to engage key

ministries in the initiation of the national human development report. Furthermore, emphasis at the project level will be on initiatives leading to results which, when measured, will assess the contribution to actual development changes. All initiatives will be identified in accordance with the context of the UNDP results-oriented framework. UNDP will also continue its support to the United Nations system through the resident coordinator system and through providing services to the United Nations system at the country level.

A. Globalization and public sector reform

19. As highlighted in the strategic results framework (SRF) for the country, this objective is to support reform initiatives and to promote an efficient public sector that improves economic management and provides open access to services.

20. To this end, UNDP will continue its technical support to the Ministry of Planning to enhance its capacities as the country's "think tank" for long-term macroeconomic planning and forecasting of socio-economic developments and to be more responsive to the strategic objectives of the country. UNDP involvement in such strategic exercise should enhance its status in the country as a full development partner. UNDP will also participate in national efforts towards the preparation of reports on various aspects of development process.

21. The support will address policy issues concerning feasible options and the long-term development vision of the country. This, in turn, is intended to provide the decision makers with a coherent, interdisciplinary policy framework relevant to the specific mandates of their respective institutions. It will also provide the Saudi business community and investors with necessary guidance and proper environment to play a more effective role in the privatization and investment processes. In this context, enhancing the Government's capabilities and the active process of privatization offer new opportunities and challenges for UNDP cooperation with the Kingdom during the second CCF.

22. In 1997, a ministerial committee was established to coordinate and follow up implementation of the privatization programme. Since then, the Saudi telecommunications sector has been transferred to the private sector. Presently, the General Port Authority, the General Organization for Grain Silos and Flour Mills and the postal services are being privatized. Other privatization possibilities include Saudi Airlines, hotels and municipal services. UNDP will cooperate with the Government to promote links between public and private sectors and to establish required policies, regulatory bodies and mechanisms for the transformation of public enterprises to the private sector. UNDP will also extend its services to the private sector, as needed, to ensure proper transformation. These are new areas of interventions in which UNDP hopes to build new partnership with the private sector.

23. To facilitate the integration of the country into the global economy and in conjunction with support related to economic growth, UNDP will continue its provision of technical cooperation with the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Planning to strengthen their capabilities, promote trade and investment and endorse the need for an efficient public sector that improves economic management. This will in turn induce the necessary enhancement performance in the public sector so that it can respond to the existing and emerging needs of the country. The scope of support will be diversified to respond effectively to the main concerns of private and public sectors within the context of national, regional and global challenges.

24. UNDP will continue its cooperation in strengthening the Government's capacity to gain accession to WTO. In this respect, the Ministry of Foreign Affairs, the Ministry of Commerce and the Council of Chambers of Commerce and Industry, among others, will need access to modern information, legal and advisory services, support in institutional-building, and knowledge transfer through formal and on-the-job training in related fields at the international level. The support will be further continued to assist the government agencies concerned in enhancing their competencies to manage this important transition, sustain the country's membership, and carry out post-accession endeavours. Once the country has gained access to WTO, there will be increased opportunities for UNDP to expand its role as a development partner.

25. In recognition of the vital role of information technology in socio-economic development and based on successful experience with the Ministry of Foreign Affairs in this field, several government institutions are looking for UNDP technical cooperation to assist in

strengthening their information management systems. This will have a profound impact on the competitive and operational sides of the governmental and non-governmental agencies in an era where the demand for human resources, technology, goods, services and capital is becoming global. This is another area where success stories should help UNDP to improve its visibility.

26. Undoubtedly, information and communication technology (ICT), constitutes a major change in all aspects, particularly in the economic and social areas. The endeavours of the various nations to keep abreast with ICT are the cornerstone for economic prosperity and social welfare. Thus, UNDP could undertake a vital role by assisting the Government's efforts to benefit from ICT.

27. Partners in this area of focus include the Supreme Council of Economics, Supreme Council of Investment, the Ministry of Foreign Affairs, the Ministry of Planning, the Ministry of Commerce, the Ministry of Labour, the Ministry of Posts, Telegrammes and Telephones. The Council of Chambers of Commerce and Industry, the King Abdul Aziz City for Science and Technology, and the Saudi Arabia Basic Industrial Corporation are also key semi-private partners. The latter is active in the area of environmental protection while the King Abdul Aziz City for Science and Technology is the country's most respected think tank, focusing on energy and information technology sectors, among others.

28. On the United Nations side, partners include United Nations specialized agencies, funds and programmes, ESCWA, UNICEF, UNFPA, the United Nations Office for Project Services (UNOPS), the World Bank and the subregional resource facility (SURF). The expected outcomes are capacity-building in the areas of policy, regulatory questions, institutional structuring, data collection and monitoring, knowledge-networking and pilot interventions. UNDP will document and capitalize on achievements under current and past interventions to improve its visibility through a well-targeted outreach programme, including publishing annual achievement reports and building a strong alliance with the media.

B. Building national capacity for sustainable economic and social development

29. UNDP aims to develop the capacity of local authorities in this area, to strengthen the management of and access to urban services and facilities and build national capacity to manage environmental and natural resources in a sustainable manner.

30. Building national capacities to achieve economic growth and social prosperity was a strategic objective in the sixth and seventh development plans. One aspect of national capacity-building is the investment in human resources. In 1999, for instance, the Government spent 30 per cent of the budget (equivalent to 12 per cent of GDP) on education, health and municipal services. The private sector is being called upon to join the Government in investing in human resources. The Ministry of Education and other concerned national institutions seek UNDP advice to improve the quality of education and introduce the application of information technology at the national scale.

31. It is crucial to update the labour information management system, whose capacity is a precondition for implementing the Saudization plan now high on the national agenda and for enabling individuals and institutions to plan their futures properly. UNDP will cooperate with the Ministry of Labour and Social Affairs in strengthening the capacity of the Ministry to maintain an updated system and with all concerned national entities to make the Saudization plan a success.

32. The Kingdom has experienced profound urbanization and town development since the early 1970s. The impacts of those developments, however, have not been uniform throughout the country because of the country's large size (2.15 million sq. km). To rectify the situation, developing appropriate regional strategies, land-use patterns, and allocation of services and industrial facilities are now national priorities. UNDP is expected to continue its technical cooperation with the Government in this multifaceted development to identify, formulate and implement strategies, policies and measures and to develop the human resources required to address these concerns. A key partner in this endeavour is the Ministry of Municipal and Rural Affairs.

33. Road networking comes in conjunction with the regional development approach for which the management responsibilities are increasingly felt by the national authorities. In fact, the possibility of transferring road operations and management to the private sector is attracting the attention of the Government. UNDP involvement is required to develop regulations and organizational structures to facilitate the transformation. Likewise, national authorities in charge of radio frequency spectrum management also depend upon the technical assistance of UNDP in this rapidly changing technology. The key partners in this perspective are the Ministry of Transport and the Ministry of Posts, Telegrammes and Telephones.

34. The adverse impacts of rapid socio-economic development on the natural resources and the environment during the past decades have triggered the concern of the Government. Accordingly, UNDP will maintain its cooperation with the Meteorology and Environment Protection Administration in the areas of environment protection, climate-change activities and support to the United Nations Framework Convention on Climate Change (UNFCCC) and raising public awareness. UNDP will support the King Abdul Aziz City for Science and Technology in promoting energy conservation through the development of effective energy-management tools and an awareness programme that will be adopted by energy producers and users alike. Furthermore, UNDP will expand its cooperation with the National Commission for Wildlife Conservation and Development through developing required human resources that are capable of managing sanctuaries and conserving the biodiversity of the country. Additionally, the Training Centre for Natural Resources established under a joint venture with UNDP will expand its activities to provide research support, information, and advisory services to countries in the region as well. As a host country, the Kingdom will continue benefiting from the GEF-financed regional project for the conservation of the marine environment of the Red Sea and the Gulf of Aden.

35. In view of the fact that the Government has recently encouraged tourism to the country, the National Commission for Wildlife Conservation and Development is considering the adoption of a self-financing strategy to utilize the country's protected areas as tourist sites with the primary goal of conserving the natural resources and building conservation awareness in the country. This will also allow the Commission to play an effective role in attracting tourists and to generate alternative income resources. In this respect, UNDP technical support is being sought to assist the Government in arranging necessary measures to achieve this objective.

36. Estimates indicate that about two thirds of water consumption in urban areas comes from desalinated water. Agriculture, on the other hand, depends largely on pumped water from aquifers of which discharge usually exceeds the natural recharge. Building on the worldwide experience of UNDP in supporting management programmes for sustainable water resources, UNDP will assist the Government in its efforts to conserve this natural resource in an effective and efficient manner. Throughout the process, UNDP will work closely with partners from the educational and professional institutions in the Kingdom, and with United Nations specialized agencies, funds and programmes.

IV. Management arrangements

Programme management

37. The Government and UNDP will manage the second CCF jointly. It will be used as a framework for developing interventions in identified areas of focus. Particular emphasis will be placed on initiatives leading to concrete results in strategic policy advice. Special efforts will also be made to identify new partners and expand the cooperation programme into new endeavours required to support the economic performance of the Kingdom. The programme approach will be used whenever possible, bearing in mind that the project approach continues to respond to the needs of the Government.

38. National execution will continue to be the normal modality for execution of UNDP-supported initiatives. Meanwhile, United Nations specialized agencies, funds and programmes, ESCWA and the SURF will be called on to provide technical advice and support as appropriate. UNDP can most effectively assist the Government during these times of rapid development by establishing the systems required to identify and deliver quickly the level, quality, and the type of expertise requested by the Government. Particular attention will be given to support effective knowledge-networking with the SURF and other global

development networks. In addition, UNDP will continue to provide training to national project managers and the project support staff of nationally executed projects to ensure accountability and effective project implementation. Meanwhile, training and empowering of staff of the country office should contribute to higher efficiency and effectiveness.

39. The Ministry of Foreign Affairs is currently organizing a coordination mechanism in the form of an advisory committee. Members will include senior government officials, representatives of United Nations organizations and other representatives from civil society whose mandate will be to enhance programme coordination through collective project assessment and the evaluation of programme impact while maximizing the use of financial and technical resources. It is also expected that this high-level coordination/advisory arrangement will help to expand technical cooperation aspects of the second CCF and of the programmes of other United Nations organizations operating in the country.

40. Taking into consideration the limitations imposed by the availability of financial resources and the need to offer highly specialized consultants in cutting-edge technologies, other implementation modalities such as the United Nations Volunteers (UNV) programme and technical cooperation among developing countries will remain as alternative implementation modalities although the experience of the country in such modalities is limited. In the last ten years, only one project included two UNV volunteers among its personnel. The Government and UNDP will also promote the use of available national capacity.

41. The Kingdom of Saudi Arabia participates in some regional initiatives that are relevant to the development concerns of the country itself. Therefore, linkages between these initiatives and the activities of the second CCF will be ensured. Furthermore, coordination with the technical cooperation programmes of other United Nations organizations operating in the country and with those of the World Bank will be pursued.

Monitoring, review and reporting

42. The second CCF will be subject to annual reviews and a mid-term country review, as stipulated in the UNDP Programming Manual. Similarly, ongoing projects will also be subject to standard UNDP monitoring and evaluation procedures, including annual progress reports, tripartite review meetings, in-depth evaluations and visits. All these exercises will be coordinated by the Ministry of Foreign Affairs with the full cooperation of line ministries, beneficiaries, and other national institutions and United Nations organizations that are involved in implementing the programme.

43. Detailed documentation for each project will be developed to elaborate further on the appropriate implementation modality and to specify the most suitable monitoring and evaluation methodology, including performance milestones, success criteria, and impact indicators to be measured during the course of implementation.

Resource mobilization

44. The Kingdom of Saudi Arabia is a net contributor country not entitled to core funding from UNDP. Technical cooperation projects are fully financed by the Government through cost-sharing arrangements. Uncertainty of the oil prices in the world market, however, could make it difficult to expand the technical cooperation programme under the second CCF as was the case in the first CCF.

45. Nonetheless, particular efforts will be made to maximize national resources allocated for the second CCF through identifying new partners in the Government and in the private sector. Furthermore, building new partnerships and alliances will be a sure indicator of the full scope of available UNDP services. In addition, stability in the price of oil at the current level is likely to ease public financing and improve the possibility of mobilizing more programme resources. A key factor in the success of all these efforts is the ability of UNDP to provide quality and timely technical support to the satisfaction of the Government.

Annex

Resource mobilization target table for Saudi Arabia (2001-2005)

Source	Amount (In thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over	-	Includes carry-over of TRAC 1, TRAC 2 and the earlier AOS allocations.
TRAC 1.1.1	-	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	-	
Subtotal	-[a]	
UNDP other resources	-	
Government cost-sharing	35 000	
Third party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	**35 000**	
Grand total	**35 000[a]**	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.